# Wall Street to General Motors: End strike and ram through cuts

**Tom Hall**
**21 September 2019**

Shut down the strike by GM workers quickly and force through massive concessions. This was the meaning of a statement this week by credit rating agency Moody's, which called the strike a "credit-negative" for the company, increasing the likelihood that Moody's might downgrade GM's credit.

If the strike is not wrapped up within one to two weeks, Moody's warned, "the financial burden of a strike will become more material and the prospects of a contract that avoids erosion of the company's current competitive position is less likely."

In plain language, it means that if GM and the United Auto Workers cannot shut down the strike quickly and force through major concessions, Wall Street will punish the auto giant by making it more expensive for the company to borrow money and by tanking its stock value.

This demonstrates that striking GM workers are not simply confronting GM CEO Mary Barra and other executives, but the entire capitalist class. Behind GM stands its Wall Street investors, who are demanding that the company do everything to ensure a high rate of profit in the face of what is expected to be a protracted downturn in the auto industry.

This is despite 10 years of near-record profits in the auto industry, which produced a bonanza for GM's wealthy investors. For the most part, these profits have not been used to invest in new production or emerging technologies. Instead, they have been wasted on stock buybacks, including $10 billion since 2015 alone, and billions more in dividend payments.

One of the beneficiaries of the stock market runup is the UAW, which owns more than $3.7 billion in GM stock through its retiree healthcare fund.

Joe Ashton, former UAW vice president for GM, joined the company's board of directors in 2014. He resigned in 2017, after the *Detroit News* first reported his ties to the expanding federal corruption investigation into the UAW. His former top assistant Mike Grimes has since pleaded guilty to extorting hundreds of thousands of dollars in exchange for contracts from the UAW-GM training center.

Wall Street has already turned the screws on GM's rivals. On September 9, Moody's downgraded Ford's credit rating to junk status in retaliation for the perceived slowness of its "fitness" program—in reality, a jobs massacre.

In May, Ford announced that it would lay off 7,000 salaried workers, or 10 percent of its global white-collar workforce. Investors greeted this with a collective yawn, with some analysts demanding at least 23,000 layoffs, or one-third of the company's salaried workforce.

In June, Ford announced that it would close five plants throughout Europe and eliminate 12,000 hourly jobs, a 20 percent reduction of its European workforce. But this was too little, too late as far as Moody's was concerned.

In a Wednesday opinion piece reflecting the mood of investors, the *Wall Street Journal* wrote that General Motors "is under intense pressure to show it can cruise through the next downturn without too much damage. Only then can the largest U.S. auto maker expect a better stock-market valuation."

The article states: "Many of the UAW demands seem reasonable, particularly for temporary and other workers who don't enjoy the same perks as Old Timers. But that is no basis for an agreement." The *Journal* continues, "GM's credibility with investors depends on it maintaining as flexible a cost base as possible."

In reality, while these are the issues animating rankand-file autoworkers, the UAW has made no such demands. In fact, it has not made any demands whatsoever, and it continues to keep workers in the dark about the content of its discussions with GM.

This is because the UAW is conspiring with GM to shut down the strike as quickly as possible and force through a concessions-laden contract. The UAW has its own financial incentives to do so. In addition to its ownership of stock in GM, it also wants to avoid draining the $760 million strike fund, which UAW officials use to pay out their bloated six-figure salaries.

"GM may have played hardball in November to leave itself room to compromise now," the *Journal* writes. " Its offer to the union involves giving new projects—its electric pickup truck and, intriguingly, battery cell production—to two of the affected plants. This may hint at a path to a deal."

This refers to the terms of the proposal by GM, published by the company after the beginning of the strike, which combined promises to eventually reopen Detroit-Hamtramck Assembly, which is slated to close in January, as an electric truck plant and build a battery factory near the shuttered Lordstown plant in northeastern Ohio. This would be a fig leaf that would cover up massive concessions, including major out-of-pocket healthcare cost increases and raises below the rate of inflation.

"However," the *Journal* warns, "the company can't afford to stray far down this path. GM has more spare manufacturing capacity than either Ford or Fiat Chrysler, with four plants in addition to the 'unallocated' ones that are poorly used, according to LMC Automotive data. 'GM really didn't need the factories,' says LMC analyst Jeff Schuster."

The article concludes: "Mary Barra is popular on Wall Street, in particular for well-timed decisions to quit Europe and raise $7.25 billion of frothy tech capital for GM's driverless project. Even so, GM stock fetches just under six times earnings. To cement her reputation, Ms. Barra needs to drive the company successfully through tougher times. Investors can expect her to fight hard for GM's flexibility."

The stock market's response to the strike thus far has been muted, with GM's stock price dropping less than 3 percent from the end of trading Friday, reflecting hopes that GM and the UAW will be able to shut down the strike soon. However, uncertainty over the outcome of the strike has produced a spike in options trading, a sign that investors are expecting volatility in GM stock prices, according to the *Wall Street Journal*.

"The company has enough cash on hand and its dealers have enough vehicles in stock to weather the storm without significant problems for at least a week, according to financial analysts. After that, investors may become more concerned, potentially having a greater impact on shares of the company," CNBC reported.